Dear Reader,

We are living in a time of uncertainty, in which different risks threaten the growth that most economies enjoyed over the past decade. The prospect of some of these events happening has an unsettling effect on business sentiment and subsequent investments and growth. Brexit and the US-China trade wars are examples of continuously changing outlooks and expectations, which is bad for business and more importantly bad for trade. Further uncertainty comes from the new economy taking shape changing the way trade is done. Whether driven by Blockchain, AI, platformisation or other technical developments, the result is a new business landscape which is beyond recognition compared to say 5 or 10 years ago.

But as with any threat, there are also multiple opportunities. Each ICISA member is addressing these in its own way but is also confronted with the need to look for ideas and solutions on a much wider industry level. This is where an association such as ICISA adds value, by providing a neutral platform for info sharing as well as an environment to consider solutions for the wider sector.

Members are also working hard on the regulatory level: a review of the Solvency II regulation will take place in 2020 and input is being obtained during this year. The pending new Basel regulations could seriously affect the long-standing relationship between banks and insurers, threatening a productive and effective partnership making trade finance more difficult if not impossible in cases.

These are just two examples of regulatory concerns where the added value of a neutral industry platform offered by ICISA is paramount.

These and many other topics probably explain the very high turnout of last month’s Spring Meetings. With 130+ delegates we broke the previous attendance record of two years ago. A beautiful meeting venue and the exceptional experience of being in Rome definitely helped in addressing and perhaps even solving some of the many issues and concerns that were discussed.

I hope you enjoy reading this Edition of The ICISA Insider.

Robert Nijhout, Executive Director
Surety Committee – Brendan Keating

During the Spring Surety Committee meetings, we were very happy to host guest speakers that provided us with some broader presentations surrounding specific surety uses within the UK market along with a separate topic on existing and future geopolitical risks that could be impactful in 2019 and 2020. Both topics led to lively discussions between our broad group of insurers and reinsurers.

Most importantly though was our continued discussion on the topic of promoting surety on a global basis. This continues to be a priority of mine as Chair of this committee, and I want to continue to make it a focal point of my remaining time as chair of the surety committee. We had a lot to talk about on this front following our meetings in Amsterdam this past fall. We left the meeting in Amsterdam with a lot of momentum around action plans to engage regulators in major financial markets on creating more awareness around the use of bonds for various obligations required by these public entities. We also have a number of members working with local regulators in the United Kingdom to educate stakeholders on the importance bonding plays with the end goal to increase the percentage of bonds for public works.

Our active committee brought back updates to the spring meetings, which lead to additional action plans leading to some material changes in the near future. We hope our efforts yield additional opportunities and longevity in our underlying support to help move commerce forward.
Committee of Underwriters – Igor Pirnat

Nobody really knows exactly what the future is going to bring us. Maybe we have a slight feeling what the near future is going to look like, but we can only speculate what changes the medium to long term future will bring. To elaborate a little bit on the changes in the near future. Who is bold enough to raise their hand and predict all the changes that a hard Brexit is going to bring if it occurs, or how changes in the political stance of leaders of important economies like USA, China, EU and Russia are going to influence tomorrow’s economic situation. It is well known that assumptions hold a huge portion of uncertainty, and this is the point where the credit insurance and surety providers step in and bring a little bit more security into the trade business.

On the top of the common topics that are usually discussed during the CoU meetings: Countries, Trade Sectors, Specific Buyers/Risks/Cases and Technical topics, which are briefly explained below, delegates shared their view on the up to date political and economic situation.

I am happy that all participants were willing to actively participate in the discussions and contributed their knowledge and expertise, which in the end is the main purpose of the Committee of Underwriters.

Main topics

Countries - Different countries were discussed. Special emphasis went to the situation in Venezuela in light of the new US sanctions.

Trade Sectors - Different sectors were discussed among which the Fish farming sector in Chile and Europe.

Technical Topics

Collection in Italy – A presentation was given by Mr. Rado Race (Studio Legale associate Race & Jarc) with the focus on loss prevention, litigation, legal advising and the highlights of the best procedure for creditors and Italian insolvency law.

Italian credit insurance market – Alessandro Terzulli (Chief Economist at SACE) gave a presentation focusing on the construction sector and its weakest companies.

Fintech Start-Up (Reverse Factoring) – Delegates of the CoU meeting had the opportunity to elaborate more and ask questions on this topic.

Aviation and Aircraft Finance – Delegates discussed and shared their experience in Aviation and Aircraft Finance.

Fraudulent cases – Delegates were very willing to share their experiences on fraudulent cases.

Acknowledgement

I would sincerely like to express many thanks to Sascha Dear and Kay Scholz from R+V Re for their preparation and the excellent presentation that was given on Aviation and Aircraft Finance. I would also like to express a special thanks to Christoph Nienhaus for all the help in preparing the agenda, drafting the minutes and for Co-Chairing the CoU meeting.
Weakening global expansion, trade tensions as well as protectionism, high levels of public and private debt, “no deal” Brexit, greater-than-envisaged slowdown in China contributed to forecast of global growth in 2019. Are we going to confirm these forecasts? Is this negative outlook already reflected in the significant rise of the insolvency ratio or even in the loss result? These topics and many more were discussed during our tour of the table where we had the opportunity to learn from members coming from the relevant markets.

In Rome, the CIC hosted many interesting guest speakers – starting with our dear friend and “revenant”, whose presentations always go beyond the traditional ones – Mr. Alessandro Terzulli, Chief Economist at SACE who shared with us his views on the Italian credit market. Since we our Meeting was in Italy, we will also hosted Mr. Rado Race, an Italian lawyer with vast experience in commercial disputes, who shared interesting and professional information regarding the relevant legal framework in Italy and top it up with a valuable description of court and out of court collection. As a continuation from the Joint Meeting, Mrs. Chantal Joosse from Stenn International discussed the topic of reverse factoring with us in more detail.

With kind assistance of Coface, we studied and discussed a court sentence of the German Court on the allocation of proceeds. How do members react to the consequences and should the industry take measures against such an unfavourable legal situation?

Things we do today, privately or in business, seem to be anything but traditional. Trade credit insurance has evolved in many ways since the last big credit crunch, and in the CIC we decided to have a closer look at competition that has no history in trade credit. The topic we will keep addressing in future meetings is the entry of new providers (Alibaba, Amazon). Maybe we can learn something from them?
This year the Single Risk committee was very busy with important data gathering related to the threat that new Basle 4 regulation poses on our product offered to banks. Banks use Single Risk insurance as a capital relief tool, and under current rules the banks are allowed to develop internal models which help them replace our retaining with the one of the borrower in order to obtain capital relief in most efficient way. The new regulation which is currently in draft form and has not been voted by EU commission and parliament could seriously and negatively impact that capital relief, and subsequently it will become inefficient for banks to be our clients. Currently banks represent between 40-60% of Single Risk insurers premium income.

This is a topic which of importance not only to SR insurers but could impact as well WTO insurers whenever banks insure receivables as part of a capital relief exercise. This is why a dialogue with our colleagues of Credit Insurance committee is paramount, and needs to be established as soon as possible.

Other issues discussed were non-trade related products which become more and more present in the insurers portfolio, and most unfortunately the never-ending Brexit drama.
The Lost Art of Character Underwriting

In the early days of any credit career, underwriters learn a version of the “Three C” model of risk assessment. Prior to taking on any real account responsibilities, some of us speculated that the model was defined as Coffee and Croissants with Colleagues but soon discovered that the three Cs we were learning to evaluate were Capital, Capacity and Character.

The definitions of Capacity, Capital and Character vary across branches of the credit world. Within the world of Surety, Capacity refers to a counterparty's ability to execute a portfolio of obligations, Capital refers to the counterparty’s resources to handle the obligations, and Character addresses the counterparty’s likelihood of choosing to honor obligations in good times and bad. It is this third “C” that has often been neglected in recent years.

The reduced level of focus on character assessment has resulted in part from improved analytics associated with financial analysis techniques. Much is written about the great value that can be gained through the use of statistical predictive analytics when assessing credit risk. These analytical models are indeed valuable as they improve an underwriter’s ability to identify financial parameters that are closely linked to counterparty solvency. While the models clearly contribute to sound underwriting decisions, the perception of precision in the analyzed data combined with an extended period of benign surety loss activity has had the unintended consequence of reducing the value placed on counterparty character assessment relative to other categories of analysis.

As noted above, we have been fortunate that the Surety business globally has enjoyed a long period of relatively low losses. While the losses have been infrequent, the losses incurred generally have had a direct link to challenges with a counterparty’s character. These challenges can be seen in a range of forms including issues with financial reporting integrity, inappropriate transactions with trading partners or various other indiscretions that reflect an unwillingness to honor obligations, and ultimately, demonstrate a lack of character.

Across credit granting organizations, most files will contain a reference to a counterparty’s management team. More often than not, an underwriter will declare that the management team is “outstanding” and that a “strong relationship” exists. Fortunately this is true in many cases, however, from a simple statistical perspective we must recognize the fact that on average, most management teams and relationships are average. The challenge for us all is to identify in advance the accounts that will ultimately demonstrate issues of character.

The task of evaluating character is made difficult by the absence of empirical data to yield a quantified measure. Personal credit scores are an indicator but fall short in telling the full story. In time perhaps there will be predictive analytic techniques to rely upon but a good first step, or reinforcing step, is to ensure that underwriters form a clear opinion on the character aspect of an account risk. If, as described above, all accounts are assessed as having outstanding management teams of tremendous character then your portfolio of accounts is clearly out of the ordinary!

A respected colleague of mine often says that character is the only “C” that might be available when an account is experiencing difficulties. It follows that strong character will significantly improve the probability of a troubled account recovering from its challenges and in turn keep the surety provider in a favorable position. A robust and honest assessment of counterparty character is a step in the right direction in ensuring that a risk portfolio will remain strong.

“The challenge for us all is to identify in advance the accounts that will ultimately demonstrate issues of character.”
A Guide to Trade Credit Insurance

By the International Credit Insurance & Surety Association

A practical and accessable industry-wide reference on Trade Credit Insurance, written by a team of industry experts.

This compact volume is a practical guide for anyone interested in Trade Credit Insurance. The International Credit Insurance & Surety Association (ICISA) presents an approachable but detailed guide written collaboratively by carefully selected industry experts. The guide describes the ‘lifeline’ of the credit insurance product, from the initial application stage to the expiration phase of the policy, including practical use aspects for credit managers. The volume offers compact information on the history of trade, the need for protection against trade credit risks, and solutions offered by credit insurance providers. The focus is on short term credit, including whole turnover policies and single risk policies.

Readership
Suitable for anyone interested in Trade Credit Insurance, from credit managers to policymakers.

Contents

Key selling points
- Collaboration of a diverse group of experts from top organizations around the world
- Written in an approachable style, accessible to the non-specialist
- Includes extended glossary of key terminology
- Includes a list of relevant resources for further reading

About the Author(s) / Editor(s)
The International Credit Insurance & Surety Association (ICISA) brings together the world’s leading companies providing trade credit insurance and surety bonds. ICISA promotes technical excellence, industry innovation and product integrity, as well as addressing business challenges generated by new legislation.

Where to order my copy
Aviva joins ICISA

The members of ICISA warmly welcomed Aviva as a new member to the association. Terry Michalakos, Vice President Surety at Aviva, kindly agreed to discuss his company and their expectations as an ICISA member. He further elaborates on the topics he wishes to put on the agenda.

Aviva is the largest general insurer and leading pension provider in the UK and can trace its history back to 1696. Today Aviva offers a wide range of insurance and saving products to over 33 million customers through 8 major business and 6 strategic investments. Approximately 47% of Aviva’s customers are based in the UK and 53% internationally. Significant general insurance operations existing outside the UK in France, Canada, Ireland, Italy, Poland and Singapore. Aviva Investors is their global asset business, with expertise in multi-asset, fixed income, equity and real assets. Currently, Aviva Investors invests ~ £350 billion across major markets.

ICISA membership

Terry identifies two main rationales for Aviva to become an ICISA member. “Firstly”, he notes: “to gain access to news and information affecting the surety and credit insurance market across the globe.” “Secondly”, he continues: “being a member of ICISA provides us an opportunity to meet surety professionals from across the globe and discuss current industry issues.” He kindly underlines that he values the ICISA membership as a two-way street and therefore hopes to share their experiences with other surety members: “Aviva can bring local knowledge and best practices from countries in which it operates. In Canada, we are the 2nd largest writer of surety and have the most diverse premium book across several product lines.” He hopes that by being a member of ICISA, Aviva can work more closely together with other member companies in pursuing goals with a mutual interest: “We like to be innovators in the surety space. Aviva Canada was part of the working group which conducting a study in 2017 that showed the economic benefits of surety, which resulted in legislations being past making surety bonds mandatory for all public construction projects. With recent insolvencies in other countries, lessons learned can be shared with other industry professionals to help expand our share of contract guarantees.” He would like to be involved in the broader discussions within ICISA, but the main focus will be on surety: “While Aviva is interested in all committees our main area of interest within ICISA is the surety committee due to our significant presence in this space in the UK, Ireland and Canada, in additional to smaller surety footprints in other countries.”

Issues that Aviva would like to put on the agenda

While Terry is pleased with the current agenda set within the Surety Committee, there are some topics that he would like to address during the coming months. For instance, he very much looks forward to discuss the consolidation of construction companies i.e. managing surety facilities for larger conglomerates which operate globally. “With recent consolidation of global construction groups, global and regional sureties and reinsurers need to determine industry standards to manage aggregate exposures and counter-party risks” Terry notes. He further looks forward to discussions regarding bank bonds: “There is a significant opportunity within the surety industry to assist Banks with managing their capital requirements associated with contract performance guarantees. The pending regulation changes will...”
put pressure on Banks to either raise capital or transfer risk to others. Sureties globally compete with Bank in providing contract performance guarantees (using surety bonds), putting sureties in a unique position to provide assistance in managing regulation change.”

Another discussion that he looks forward to is Surety in a world of Alternative Project Deliver. “With the recent collapse of Carillion and others, along with well documented evidence that alternative project delivery (P3’s) has not been kind to the construction community, many owners and contractors are considering whether this is the most effective risk transfer mechanism. Owners still want to have significant input in their projects, which does always happen under a P3, and contractors have not been disciplined enough to price this risk transfer. He continues: “With the delivery completely in the hands of the P3 team, surety is often seen as an unnecessary costs.”


Terry Michalakos

“Simply relying on parental guarantees or low penalty bonds has not been sufficient to ensure public funds are protected.”

“With the delivery completely in the hands of the P3 team, surety is often seen as an unnecessary costs.”
Interview with Azman Noorani, Head Surety & Trade Credit Insurance, Swiss Re Corporate Solutions

Familiar name, fresh perspectives

ICISA is pleased to welcome Swiss Corporate Solutions as a member. Swiss Re Corporate Solutions is the commercial insurance arm of the Swiss Re Group, one of the world’s major reinsurers. While the reinsurance arm of Swiss Re has already been a member of ICISA for some time now, Azman Noorani is happy to explain why the commercial arm has also decided to join the ICISA membership and the value it brings to them.

Swiss Re Corporate Solutions has rapidly expanded and has attained a global reach Azman notes: “We provide risk transfer solutions to large and mid-sized corporations around the world. With our innovative products as well as our standard insurance covers, we aim at making businesses more resilient. We serve clients from over 50 offices worldwide and are backed by the financial strength of the Swiss Re Group.”

Azman proudly notes that: “Our direct Credit & Surety business has grown to a size that makes us a very relevant player, facing the same challenges and opportunities as the rest of the industry. We often take the lead in the more complex transactions.”

With the Credit & Surety business expanding, interest in joining the ICISA membership has also grown. Azman highlights three main reasons why they decided to join now: “Firstly, we believe in ICISA’s crucial role in advocating credit and surety. The acceptance of our covers can still be improved and our clients still have very little choice when it comes to risk transfer. We need the stronger collective voice of ICISA to regulators and beneficiaries to accept insurers.” “Secondly”, Azman continues “the industry is facing various challenges. As we need to be innovation drivers and reinvent ourselves as credit risk takers constantly, the technical meetings provide a forum to discuss and understand new emerging risks in the industry.” Speaking about new and emerging risks”, Azman notes, “brings me to my third point: “the changing landscape of how we do business. The industry is on the cusp of a transformation with developments such as blockchain, artificial intelligence and digitalization. All companies need to define what those developments mean for them individually, however, as an industry we should make sure together to be in the pole position to take advantage of this.”

Swiss Re Corporate Solutions

Swiss Re Corporate Solutions provides risk transfer solutions to large and mid-sized corporations around the world. Its innovative, highly customised products and standard insurance covers are backed by its industry-leading claims service. Visit corporatesolutions.swissre.com
When asked which committees are relevant for Swiss Re Corporate Solutions, Azman is quick to respond that all of them are in his scope of interest: “Besides joining the product and risks committees for the first time as direct insurers and not reinsurers, we want to continue to be active in the LGD committee. We also believe that we will bring some fresh perspectives to the Regulatory and Solvency II topics. The majority of our credit and surety business is done with banks so we pride ourselves in understanding the banks’ needs in terms of risk transfer and meeting solvency requirements.”
The Forces of Trade Liberalisation Strike Back

Summary
Momentum for global trade liberalisation has entered 2019 on a high tide, with the implementation of both the Japan-EU Economic Partnership Agreement (EPA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) deals in quick succession. The new trade deals will provide positive impetus for world trade liberalisation after a turbulent year of rising global protectionism during 2018, including the outbreak of the US-China trade war.

Furthermore, the US-China trade war truce agreed by President Trump and President Xi at the G-20 Summit in early December 2018 has reduced US-China trade tensions and galvanised bilateral trade talks. Recent signals that progress is being made towards a possible US-China trade deal are creating renewed optimism of an improving global trade environment during 2019. Despite these positive developments for world trade, Brexit remains a dark cloud on the horizon, while US-EU trade tensions have also escalated. Reflecting the headwinds facing world trade, the World Trade Organisation has forecast that world trade growth in 2019 is expected to be weak, with world merchandise trade growth expected to moderate to 2.6% year-on-year in 2019, after rising by 3% in 2018.

For Australia, New Zealand, Canada, Japan, Mexico and Singapore, which were the first six ratifying nations, the trade benefits of the CPTPP took effect from 30th December 2018. Vietnam has also ratified the CPTPP on 12th November 2018, and the CPTPP agreement took effect for Vietnam on 14th January 2019. For the remaining four CPTPP members, Brunei, Chile, Malaysia and Peru, the CPTPP will take effect 60 days after they ratify the agreement.

The US, which had been among the original 12 nations negotiating the predecessor Trans-Pacific Partnership (TPP) trade deal, is not among the CPTPP member nations, having pulled out of the TPP deal immediately after President Trump took office. Consequently, the US will not benefit from the expanded market access and trade liberalisation measures created by the CPTPP. Under the original TPP agreement, market access for US firms would have increased notably in services, agriculture, and advanced manufacturing.

The eleven CPTPP members have a total GDP of USD 11 trillion, creating a combined market equivalent to around 13 per cent of world GDP, with a population of around 500 million persons. Significant economic benefits will accrue to member nations as a result of tariff liberalisation under the CPTPP agreement.

However, as a state-of-the-art advanced multilateral trade agreement whose scope goes far beyond tariff liberalisation, the benefits also extend to greater access to some government procurement markets, improved environmental protection as well as stronger investment protection provisions. The CPTPP is expected to deliver significantly improved market access and boost trade flows among the CPTPP member nations.

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CPTPP Creates New Free Trade Architecture for APAC
On 30th December 2018, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect, creating a major new free trade agreement among nations accounting for around 30% of world GDP. The implementation of the new CPTPP trade deal was triggered by Australia’s ratification of the agreement on 31st October 2018, the sixth of the eleven member nations to ratify the deal.

“The CPTPP is expected to deliver significantly improved market access and boost trade flows among the CPTPP member nations.”

Japan-EU Economic Partnership Agreement
The new Japan-EU EPA came into effect from 1st February 2019, and has created a major new free trade agreement among nations accounting for around 30% of world GDP. The EU-Japan EPA is estimated to boost Japan’s long-term GDP by around Yen 5 trillion, equivalent to around 0.9%
Duties on Japanese car parts will be immediately removed. EU duties of 10% on Japanese auto imports will be removed over 8 years, while 90% of EU duties on Japanese car parts will be removed immediately.

The economic impact of the new Japan-EU EPA is relatively smaller for the EU economy as compared to Japan. This reflects the smaller size of the Japanese economy, which is around 27% of the GDP of the EU. Whereas Japan accounts for around 3% of total EU exports, the EU accounts for around 12% of total Japanese exports. Nevertheless, the total economic impact on the EU economy is expected to be Euro 34 billion, in terms of the total increase in EU GDP by 2035, according to European Commission projections. A key EU industry sector that is expected to achieve significant economic gains is business services. The EU dairy and processed foods, leather and textiles sectors are also expected to benefit from the improved market access to Japan’s large consumer market.

Once fully implemented, the Japan-EU EPA will remove 99% of customs duties for EU imports into Japan. Trade liberalisation measures under the Japan-EU EPA also extend far beyond tariff reduction, and include significant liberalisation of non-tariff barriers and improved protection of intellectual property rights. An important area of improved market access for the EU is to Japan’s public procurement markets for 48 core Japanese cities as well as improved access to Japanese public sector construction contracts.

The Japan-EU EPA also contains a chapter on investment which will improve the business climate for bilateral foreign direct investment, including liberalising requirements such as those relating to local content.

**US-China Trade War Truce**

US and Chinese trade negotiators have held intensive trade negotiations during the early months of 2019, in order to make progress to find common ground for a bilateral trade deal. The positive momentum for trade negotiations follows the bilateral meeting held on 2nd December 2018 at the G-20 Summit in Buenos Aires, when US President Donald Trump and Chinese President Xi Jinping agreed a truce in the US-China trade war for a period of 90 days starting from the date of the US-China meeting at the G-20 Summit.
During this period, both leaders have agreed that no further trade war escalation measures will be implemented.

If some form of compromise trade deal can be reached in the near future, this will provide a positive boost for world trade, particularly for Chinese exports, since the US remains a key market that accounts for around 30% of total Chinese exports. This will help to boost the Asian manufacturing supply chain, since China is an important market for many other East Asian nations exporting raw materials and intermediate goods to China’s manufacturing export sector.

**Risks from Brexit**

Amidst the positive developments in the global trading environment in early 2019, one major uncertainty continues to be Brexit. Although the EU and UK have agreed to postpone the Brexit deadline to 31st October 2019, the UK remains deeply divided politically about leaving the EU. The June 2016 Brexit referendum decision to leave the EU was won with a thin majority, amidst considerable uncertainty about the detailed economic implications.

Since then, it has become increasingly apparent that Brexit will have significant negative economic consequences for the UK economy, whatever Brexit scenario unfolds. The UK Government published its own economic assessment of the long-term economic impact of Brexit in November 2018. Even by its own analysis, every Brexit scenario resulted in UK GDP being worse over the next 15 years than if the UK remained within the EU. The UK Government’s analysis estimates that new trade barriers between the UK and the EU would be expected to result in lower UK-EU trade volumes in the long run in all Brexit scenarios assessed.

The scenario of Brexit with no deal in place with the EU, known as ‘Hard Brexit’, remains a possible outcome, with considerable uncertainty about what final decision about Brexit will be reached by the UK Parliament. According to the UK Government’s assessment, a Hard Brexit would result in UK GDP being 9.3% lower at the end of 15 years than if the UK remained in the EU. Even the proposed Brexit agreement between the UK and EU which was subsequently rejected by the UK Parliament would have resulted in UK GDP being lower at the end of 15 years than if the UK remained in the EU.

The UK manufacturing sector, which accounts for 8 per cent of economic production, is estimated to be the worst affected industry sector in the no deal scenario, according to the UK Government analysis. Around 48% of UK goods exports and 37% of services exports went to the EU in 2016, highlighting the vulnerability of the UK to trade disruptions with the EU post-Brexit.

The Bank of England’s modelling of the UK economy also assesses that the UK would be tipped into a recession in the immediate aftermath of a “disorderly” no deal Brexit scenario, with positive GDP growth not expected to resume until 2023.

According to macroeconomic forecasts prepared by IHS Markit’s European economic team, a no-deal scenario...
would result in a protracted recession for the UK economy from 2019 to 2021. In a Hard Brexit scenario, the UK economy would contract by 0.9% in 2019, 2.4% in 2020, and 0.5% in 2021. By 2026, real GDP would be 9% lower in the no-deal scenario when compared with the September 2018 baseline, which assumes an orderly exit and transition period for the UK.

In the no deal scenario, IHS Markit estimates that sterling would depreciate notably in the immediate aftermath of Brexit without a deal, with markets expecting significant damage to the UK economy. Sterling has lost its safe-haven characteristics since the June 2016 Brexit referendum result.

**Outlook for World Trade Liberalisation**

The implementation of the CPTPP and Japan-EU EPA has brought a new positive momentum for global trade liberalisation after a difficult year of rising trade protectionism during 2018. The CPTPP is expected to deliver significantly improved market access and boost trade flows among the seven CPTPP member nations that have so far ratified the deal. Japan is expected to be a key winner from the combined impact of the CPTPP as well as the new Japan-EU Economic Partnership Agreement due to take effect in February 2019.

For both the EU and Japan, the new agreement provides positive new momentum for global trade liberalisation following a turbulent year of rising global protectionism during 2018, including the outbreak of the US-China trade war. The trade deal is expected to provide a significant boost for bilateral trade flows, with Japanese industries such as auto manufacturing and EU industries such as food processing expected to see significant increases in exports over the medium-term outlook as tariff and non-tariff barriers are removed.

Positive signals from intensive US-China trade talks have also increased expectations that some form of trade deal may be agreed soon between President Trump and President Xi, albeit the trade deal may be a compromise interim solution.

However, other hurdles to world trade remain on the horizon. The US Commerce Department has submitted its Section 232 investigation findings into US auto imports to the US Administration on February 17th. Based on these findings, the US Administration may recommend that tariffs be applied to imported autos and parts, which is a key risk for the European, Japanese and South Korean auto industries. An estimated 8.3 million cars were imported into the US in 2017, of which 1.7 million were from Japan and 1.2 million were from the EU.

Another risk to the world trading system is from the political uncertainty still surrounding the UK’s Brexit negotiations. This remains a dark cloud for the global trade outlook in 2019. The risk of a “Hard Brexit” could potentially create a negative shock to global trade flows if significant new tariffs are imposed on UK trade flows with the rest of the world. Consequently, although the global trading system has entered 2019 on a positive note, considerable risks to trade liberalisation still lie ahead in the near-term outlook.

“Although the global trading system has entered 2019 on a positive note, considerable risks to trade liberalisation still lie ahead in the near-term outlook”

Rajiv Biswas is the Asia-Pacific Chief Economist for IHS Markit.
New appointments: Coface France and Western Europe

Coface announced changes in its management team for France and Western Europe in January 2019, headed by Antonio Marchitelli, CEO France and Western Europe.

Previously Commercial Director, Benoît Urbin, 48, has been appointed Underwriting Director Coface France and Western Europe. The creation of the regional Underwriting department, which integrates risk and commercial underwriting, supports Coface’s strategic priority to strengthen its underwriting processes, increase the granularity of its risk analysis and further adjust its underwriting policies. Benoît joined Coface in 2014 as Director of Global Solutions for Western Europe, an organisation specifically dedicated to managing large multinational clients. Prior to that he spent eleven years in management positions at American Express, Global Commercial Payments.

Bruno Leray, 50, succeeds Benoît as Commercial Director for France and Western Europe. Bruno joins Coface with extensive experience in financial services, where he has spent most of his career. Between 2011-2017 he was General Manager of DLL France, a subsidiary of Rabobank. Prior to that, he worked for eleven years in a number GE businesses around the world: first as CFO of GE Fleet Services for the Southern Europe region, then as Managing Director of GE Fleet Services in Spain, before taking over the European healthcare equipment financing business (GE Healthcare Financial Services) for five years.

Vanessa Regrain, 42, has been Marketing Director for Coface France and Western Europe since October 2018. Prior to joining Coface, Vanessa was Head of Marketing at Euronext Global Listing, after spending five years at Western Union Business Solutions as Marketing Director for the Europe, Middle East and Africa region, and holding various marketing management positions with leading companies such as American Express Corporate Card, Hertz Lease and BASF.
Coface granted license to operate as credit insurer in Greece

As part of its expansion ambition into new markets, at the beginning of 2019 Coface was granted a license from the Greek regulatory authority to operate as credit insurer. The licence allows Coface to strengthen its support to local companies by giving them access to its expertise in prevention and credit risk protection.

Greece has undertaken reforms that pave the way for a promising credit insurance market. The consolidation of public accounts and reinforced fiscal credibility have allowed the country to make its return to international markets. Greek companies have become more competitive, have reduced their debt, and are now more export-oriented, helping new sectors to develop.

Commenting on the Greek license, Cécile Paillard, CEO of Coface’s Mediterranean & Africa region, said: “We are pleased to strengthen and invest in our presence in the Greek market, and motivated to support our existing and future clients in developing their business”. Ernesto De Martinis, CEO of Coface in Italy and Head of Strategy for the Mediterranean & Africa region, added: “We are proud to be able to support Greek companies in their daily credit management decisions and help them in their export growth strategy.”

Coface Group Executive Committee: new joiners

On June 6 the Board of Directors of the Mexican Association of Guarantee Institutions (AMIG) elected Mr. Gerardo Sánchez Barrio as President for the period 2018 - 2019. He assumes this role at a time when the operation of the new “Seguro de Caución” product is about to start in the country. The Association is made up of the 16 surety companies operating in Mexico, and three reinsurers.

Carmina Abad Sánchez was appointed the CEO of Coface’s Latin America region in July 2018. Carmina has more than 30 years of experience holding senior leadership positions in the insurance industry.

Before joining Coface she was Chairman of Swiss Re Group in Mexico and CEO of Swiss Re Corporate Solutions in Mexico. Previously, she worked for 25 years at MetLife in Mexico, Spain and the United States.

Keyvan Shamsa was appointed Business Technology Director of Coface in November 2018. Keyvan holds a PhD in computer science and brings broad experience in financial market information systems and knowledge of new technology approaches to Coface.

He started his career with Credit Lyonnais Corporate and Investment Banking in 1991 and was appointed Chief Information Officer of Credit Lyonnais Asset Management (now Amundi) in 2000. In 2005, he joined Société Générale Corporate and Investment Banking in New York as head of Corporate Banking information systems for the Americas. In 2008, he joined BNP Paribas Asset Management in Paris as Chief Information Officer, where until last year he also held other managing director positions.

Carmina and Keyvan are members of Coface’s Group Executive Committee and report directly to Xavier Durand, Group CEO.
Coface and Tradeshift announce strategic partnership

Global credit insurer to make risk indicators available to a network of 1.5 million businesses in 190 countries.

As part of a strategic partnership, Tradeshift, the leader in supply chain payments and marketplaces, and Coface, the most global credit insurer, announced in October 2018 a new app solution on the Tradeshift platform to help businesses make decisions with confidence by ensuring greater financial transparency between buyers and suppliers.

Coface and Tradeshift are working together on combining their business ecosystems and expertise in order to co-develop innovative solutions to guide companies through the complexity of global trade and to protect them against the risk of non-payment. As a first step, Coface will make business information available through a Coface app integrated into the Tradeshift platform.

“Risk management is such a critical component for cohesive global trade,” commented Christian Lanng, co-founder and CEO of Tradeshift. “This first step of bringing Coface into our integrated procurement platform will add another way for our users to be confident that their supply chain is safe and reliable, no matter where they are doing business.”

“Tradeshift, like Coface, has a unique and differentiated position in the market,” said Xavier Durand, CEO of Coface. “We are ‘for trade,’ meaning we’re committed to providing services that strengthen business’ ability to sell on their domestic and export markets. By joining forces with Tradeshift, the companies using Tradeshift’s platform will have easy access to our best-in-class risk and business information services. This innovative partnership is an illustration of Coface’s ambition to lead the way in reaping the opportunities digital technology brings to our industry.”

Tryg Garanti expands into the Dutch market

As of 1 January 2019, Tryg Garanti has established an office in Amsterdam to service local Dutch clients.

William Wesseling has been appointed Country Manager for the Dutch market. Among other, William Wesseling has extensive experience from top management positions in The Netherlands at Nationale Borg and Euler Hermes.

Furthermore, Tryg Garanti has employed John Brusche as Senior Risk Manager and Marco Hoogenboom as Senior Account Manager. Both have extensive experience within their respective fields. John Brusche has previously worked with Nationale Borg and ABN AMRO Bank. Marco Hoogenboom has previously worked with Euler Hermes.

From left to right: Marco Hoogenboom, William Wesseling and John Brusche
Ana Carvalho nominated Executive Member of the Board of Directors of COSEC

Ana Carvalho has been appointed as an Executive Member of the Board of Directors of COSEC, managing the Commercial, Marketing and Communication areas and succeeding Berta Dias da Cunha.

Graduated in Business Management, has a MBA degree of Portuguese Catholic University and held a “Managers Program” at INSEAD.

Ana Carvalho has a diversified curriculum with strong experience in strategic marketing, business development, cooperate banking and private equity, with an experience of more than 20 years in Banking Industry within the BPI Group, one of the major Portuguese banks and shareholder of COSEC.

Endorsed Conferences

ICISA endorses numerous conferences related to the trade credit insurance, surety and political risk industries:

ExCred Singapore
(2 July 2019, Singapore)

Supply Chain Finance Summit – APAC
(15-16 October 2019, Singapore)

More information on our endorsed conferences can be found on the ICISA website.

Join over 3600 other industry experts in the ICISA group on LinkedIn
Update from the Chairman of STECIS

STECIS develops further in 2019

During 2019, STECIS will stay on the path of development. There are initiatives to renew the website to make it more appealing to visitors and easier to use and enlist for courses. Also, the invoicing process could be automated – so the Board will look into that area.

At the start of 2019 STECIS has experimented with targeted LinkedIn campaigns in order to attract additional participants to its courses. So far, this appears to be successful, so we will continue to use this form of campaigning to promote STECIS courses.

All courses will be reviewed with care to ensure that the content is complete and up to date. Also, there is an initiative to create a new course on developments in the TCI market field. Topics such as trading platforms, AI and Blockchain will be addressed in detail in this new course. We hope to launch the new course in or before Q4 2019.

We have made efforts in enhancing the pool of tutors to ensure ample capacity for current and future courses and to create new courses that capture the latest market- and product developments in both the TCI and Surety sphere. We have been able to broaden pool of tutors with some high quality and highly experienced tutors.

Earlier this month, all courses were held at the Steigenberger Airport Hotel, next to Schiphol – Amsterdam. We have selected this location for the convenience of our participants. It is easy and free to travel from Schiphol Airport by Shuttlebus to the hotel. Various restaurants are inside the location and the training rooms and facilities are state of the art.

In May 2019 we will finalise the formal separation of STECIS from ICISA. STECIS will take care of all activities that are related to organising the training seminars, like handling registrations, invoicing and so on. ICISA will continue to endorse STECIS and provide support in the marketing of the courses, but the day to day activities will be carried out by STECIS.

Rob Klouth
Chairman of the Board of STECIS

For more information

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